

received during the past year and the expenditure which has been *actually* incurred during its currency. If the former exceed the latter, the difference is an actually realised or *existing* surplus, and must by Act of Parliament be at once devoted to the diminution of debt.

(2) There is in addition what is termed the New Sinking Fund, started in 1875, and sometimes named the Fixed Debt Charge. A definite amount is annually set aside (at present £28,000,000 a year) as a provision for payment of the interest upon the debt and for redemption. As the debt is gradually cancelled by that portion of the Fund which remains after the interest for each year is discharged,, the interest portion successively becomes less, and, since the £28,000,000 is a constant sum, the yearly balance applicable to reduction continuously increases. It was stated when the Budget was introduced in May 1908, that the £28,000,000 then represented the sum of nearly £10,000,000 appropriable to the cancelment of debt, the balance of £18,000,000 being absorbed in the payment of interest upon its existing capital-amount.

(3) We need only refer to a third mode of reduction, which consists in the substitution of terminable annuities for annuities payable in perpetuity. Our National Debt is virtually the representative of a perpetual annuity; a power of repayment is reserved, but, in all probability, if that power were exercised the operation would assume the form not of the redemption of the capital, but of a future diminution in the rate of interest.

I purpose in illustration to deal here only with terminable annuities in the shape of annuities granted during the lifetime of specified persons. A lady aged sixty-five (for these annuities

are chiefly purchased on the lives of women) possesses £500 of Consols. She prefers to receive an assured income of larger amount than the 2[^] per cent, and equally well secured; she is willing, therefore, to barter her stock for an annuity which terminates at her death. She accordingly transfers to the National Debt Commissioners at the National Debt Office her holding of stock at (say) the price of 85[|]~[|] (the value at the time of writing); that is to say, she hands over a security worth in money £429 13s. 9d. In exchange she is granted an annuity during her lifetime (according to the Government tables) of